

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|---|--------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | County |
| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature <i>Hennrich A. Berthiaume</i> | Printed Name | | License Number | |

VILLAGE OF LAKEVIEW

Montcalm County, Michigan

FINANCIAL STATEMENTS

February 29, 2008

VILLAGE OF LAKEVIEW

TABLE OF CONTENTS

| | PAGE |
|---|------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 4 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets..... | 11 |
| Statement of Activities..... | 12 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 13 |
| Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Proprietary Funds: | |
| Statement of Net Assets..... | 17 |
| Statement of Revenues, Expenses and Changes in Net Assets..... | 18 |
| Statement of Cash Flows..... | 19 |
| Notes to Financial Statements | 21 |
| REQUIRED SUPPLEMENTAL INFORMATION: | |
| Budgetary Comparison Schedule – General Fund..... | 34 |
| Budgetary Comparison Schedule – Major Street Fund..... | 35 |
| Budgetary Comparison Schedule – Local Street Fund..... | 36 |
| OTHER SUPPLEMENTAL INFORMATION: | |
| General Fund: | |
| Detailed Schedule of Revenues..... | 37 |
| Detailed Schedule of Expenditures..... | 38 |
| Component Unit: | |
| Balance Sheet..... | 42 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 43 |
| Schedules of Indebtedness | 44 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 50 |



60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund of the Village of Lakeview as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lakeview's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund of the Village of Lakeview as of February 29, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2008 on our consideration of the Village of Lakeview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lakeview's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

Saginaw, Michigan
May 1, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Lakeview (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,872,244 (net assets). Of this amount, \$1,001,554 (unrestricted net assets) may be used to meet the Village's ongoing obligations to citizens and others.

During the fiscal year, the Village's total net assets increased by \$309,502. Governmental activities accounted for \$174,584 of this increase, while business-type activities accounted for \$134,918.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$691,238, a decrease of \$175,184 in comparison with prior year. Approximately four (4) percent of this total or \$32,110 is reserved for various purposes. The remaining fund balance of \$659,128 is unreserved and undesignated.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$273,015, or approximately thirty-six (36) percent of the General Fund's annual expenditures (excluding transfers).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 11 through 12 of this report.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four (4) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Village adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for the General Fund, Major Street Fund, and Local Street Fund, the Village's major funds, to demonstrate compliance with that budget.

Proprietary Funds – The Village maintains one type of proprietary fund. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses Enterprise Funds to account for sewage collection and water distribution.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water Funds, which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Village.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the Village, assets exceeded liabilities by \$4,872,244 at the close of the most recent fiscal year. Most of this amount (72 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, infrastructure, sewer and water systems) less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets (7 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (21 percent) may be used to meet the government's ongoing obligations to citizens and others.

Village of Lakeview's Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|--------------|-------------------------------------|--------------|--------------|--------------|
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| Assets: | | | | | | |
| Current assets | \$ 704,323 | \$ 883,392 | \$ 608,810 | \$ 559,082 | \$ 1,313,133 | \$ 1,442,474 |
| Noncurrent assets: | | | | | | |
| Other assets | - | - | 109,000 | 109,000 | 109,000 | 109,000 |
| Capital assets | 2,223,707 | 1,874,015 | 2,713,290 | 2,696,243 | 4,936,997 | 4,570,258 |
| Total assets | 2,928,030 | 2,757,407 | 3,431,100 | 3,364,325 | 6,359,130 | 6,121,732 |
| Liabilities: | | | | | | |
| Other liabilities | 13,085 | 16,970 | 33,393 | 69,536 | 46,478 | 86,506 |
| Long-term liabilities | 8,408 | 8,484 | 1,432,000 | 1,464,000 | 1,440,408 | 1,472,484 |
| Total liabilities | 21,493 | 25,454 | 1,465,393 | 1,533,536 | 1,486,886 | 1,558,990 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 2,223,707 | 1,710,420 | 1,281,290 | 1,232,243 | 3,504,997 | 2,942,663 |
| Restricted | 256,693 | 463,665 | 109,000 | 109,000 | 365,693 | 572,665 |
| Unrestricted | 426,137 | 557,868 | 575,417 | 489,546 | 1,001,554 | 1,047,414 |
| Total net assets | \$ 2,906,537 | \$ 2,731,953 | \$ 1,965,707 | \$ 1,830,789 | \$ 4,872,244 | \$ 4,562,742 |

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

Village of Lakeview's Changes in Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|------------------------------------|------------------------------------|----------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------|
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 120,979 | \$ 126,629 | \$ 383,788 | \$ 369,916 | \$ 504,767 | \$ 496,545 |
| Operating grants | 117,202 | 123,700 | - | - | 117,202 | 123,700 |
| Capital grants | 213,241 | 210,728 | 100,623 | 44,530 | 313,864 | 255,258 |
| General revenues | | | | | | |
| Property taxes | 269,420 | 258,814 | - | - | 269,420 | 258,814 |
| Franchise fees | 3,082 | 3,036 | - | - | 3,082 | 3,036 |
| State revenue sharing | 119,555 | 121,508 | - | - | 119,555 | 121,508 |
| Investment earnings | 25,804 | 27,573 | 24,653 | 24,809 | 50,457 | 52,382 |
| Miscellaneous | 8,802 | 6,790 | - | 7,920 | 8,802 | 14,710 |
| Total revenues | <u>878,085</u> | <u>878,778</u> | <u>509,064</u> | <u>447,175</u> | <u>1,387,149</u> | <u>1,325,953</u> |
| Expenses: | | | | | | |
| General government | 121,942 | 140,247 | - | - | 121,942 | 140,247 |
| Public safety | 154,097 | 154,510 | - | - | 154,097 | 154,510 |
| Public works | 396,119 | 254,039 | - | - | 396,119 | 254,039 |
| Community and economic development | 10,419 | 5,933 | - | - | 10,419 | 5,933 |
| Recreation and culture | 20,924 | 20,398 | - | - | 20,924 | 20,398 |
| Sewer | - | - | 214,494 | 242,716 | 214,494 | 242,716 |
| Water | - | - | 159,652 | 165,866 | 159,652 | 165,866 |
| Total expenses | <u>703,501</u> | <u>575,127</u> | <u>374,146</u> | <u>408,582</u> | <u>1,077,647</u> | <u>983,709</u> |
| Change in net assets | 174,584 | 303,651 | 134,918 | 38,593 | 309,502 | 342,244 |
| Net assets, beginning of year | <u>2,731,953</u> | <u>2,428,302</u> | <u>1,830,789</u> | <u>1,792,196</u> | <u>4,562,742</u> | <u>4,220,498</u> |
| Net assets, end of year | <u><u>\$ 2,906,537</u></u> | <u><u>\$ 2,731,953</u></u> | <u><u>\$ 1,965,707</u></u> | <u><u>\$ 1,830,789</u></u> | <u><u>\$ 4,872,244</u></u> | <u><u>\$ 4,562,742</u></u> |

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village Funds Financial Analysis

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Village's major governmental funds are the General Fund, Major Street Fund, and Local Street Fund. Additionally, the Village reports the Sewer and Water funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the Village, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had an increased fund balance of \$4,238.

The Major Street Fund accounts for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village. This fund had a decreased fund balance of \$170,082.

The Local Street Fund accounts for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village. This fund had a decreased fund balance of \$36,890.

The Sewer Fund covers the operations of the Village's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

General Fund Budgetary Highlights

Over the course of the year, the Village Council and Village management monitor and amend the budget to account for unanticipated events during the year.

Capital Assets and Debt Administration

Capital Assets – The Village's investment in capital assets for governmental and business-type activities as of February 29, 2008 amounts to \$4,936,997 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, equipment, sewer and water systems, and infrastructure. Governmental activities included additions of \$399,018 in infrastructure. Business-type activities included additions of \$118,910 in equipment and utility extensions.

Debt – At the end of the current fiscal year, the Village had total debt outstanding of \$1,432,000. This amount is backed solely by specified revenue sources. Debt decreased by \$32,000 which was current year principal payments due.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Village's residents with the same level of service to which they have been accustomed. However, should State-shared revenues be reduced further, reductions in services are inevitable.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact 315 S. Lincoln Avenue, Lakeview, MI 48850.

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW

STATEMENT OF NET ASSETS

February 29, 2008

| | <i>Primary Government</i> | | | <i>Component Unit</i> |
|---|------------------------------------|-------------------------------------|---------------------|---------------------------|
| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Total</i> | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 578,294 | \$ 577,585 | \$ 1,155,879 | \$ 267,617 |
| Receivables | 88,124 | 37,020 | 125,144 | 45,824 |
| Internal balances | 5,795 | (5,795) | - | - |
| Inventory | 728 | - | 728 | - |
| Prepaid expenses | 31,382 | - | 31,382 | 29,990 |
| Restricted cash and cash equivalents | - | 109,000 | 109,000 | - |
| Capital assets: | | | | |
| Nondepreciable capital assets | 485,908 | - | 485,908 | 66,512 |
| Depreciable capital assets, net | <u>1,737,799</u> | <u>2,713,290</u> | <u>4,451,089</u> | <u>671,069</u> |
| Total assets | <u>2,928,030</u> | <u>3,431,100</u> | <u>6,359,130</u> | <u>1,081,012</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 13,085 | 33,393 | 46,478 | 42,205 |
| Long-term liabilities: | | | | |
| Due within one year | - | 40,000 | 40,000 | 20,000 |
| Due in more than one year | <u>8,408</u> | <u>1,392,000</u> | <u>1,400,408</u> | <u>380,000</u> |
| Total liabilities | <u>21,493</u> | <u>1,465,393</u> | <u>1,486,886</u> | <u>442,205</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 2,223,707 | 1,281,290 | 3,504,997 | 337,581 |
| Restricted for: | | | | |
| Debt service | - | 109,000 | 109,000 | - |
| Streets | 256,693 | - | 256,693 | - |
| Unrestricted | <u>426,137</u> | <u>575,417</u> | <u>1,001,554</u> | <u>301,226</u> |
| Total net assets | <u>\$ 2,906,537</u> | <u>\$ 1,965,707</u> | <u>\$ 4,872,244</u> | <u>\$ 638,807</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES

Year Ended February 29, 2008

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|------------------------------------|--------------------|-------------------------------------|---|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| PRIMARY GOVERNMENT: | | | | | |
| <i>Governmental activities:</i> | | | | | |
| General government | \$ 121,942 | \$ 83,298 | \$ 2,838 | \$ - | \$ (35,806) |
| Public safety | 154,097 | 14,737 | 1,626 | - | (137,734) |
| Public works | 396,119 | 22,884 | 112,738 | 213,241 | (47,256) |
| Community and economic development | 10,419 | 60 | - | - | (10,359) |
| Recreation and culture | 20,924 | - | - | - | (20,924) |
| Total governmental activities | <u>703,501</u> | <u>120,979</u> | <u>117,202</u> | <u>213,241</u> | <u>(252,079)</u> |
| <i>Business-type activities:</i> | | | | | |
| Sewer | 214,494 | 200,286 | - | 32,034 | 17,826 |
| Water | <u>159,652</u> | <u>183,502</u> | <u>-</u> | <u>68,589</u> | <u>92,439</u> |
| Total business-type activities | <u>374,146</u> | <u>383,788</u> | <u>-</u> | <u>100,623</u> | <u>110,265</u> |
| Total primary government | <u>\$1,077,647</u> | <u>\$ 504,767</u> | <u>\$ 117,202</u> | <u>\$ 313,864</u> | <u>\$ (141,814)</u> |
| COMPONENT UNIT: | | | | | |
| Downtown development authority | \$ 76,264 | \$ - | \$ - | \$ - | \$ (76,264) |

continued

The accompanying notes are an integral part of these financial statements.

| | <i>Primary Government</i> | | | |
|---|------------------------------------|--|--------------|---------------------------|
| | <i>Governmental Activities</i> | <i>Business- type Activities</i> | <i>Total</i> | <i>Component Unit</i> |
| <i>Changes in net assets:</i> | | | | |
| Net (Expense) Revenue | \$ (252,079) | \$ 110,265 | \$ (141,814) | \$ (76,264) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | 153,596 | - | 153,596 | - |
| Property taxes, levied for cemetery | 19,734 | - | 19,734 | - |
| Property taxes, levied for streets | 96,090 | - | 96,090 | - |
| Property taxes, captured by DDA | - | - | - | 155,156 |
| Franchise fees | 3,082 | - | 3,082 | - |
| Grants and contributions not restricted to specific programs | 119,555 | - | 119,555 | - |
| Unrestricted investment earnings | 25,804 | 24,653 | 50,457 | 6,444 |
| Miscellaneous | 8,802 | - | 8,802 | - |
| Total general revenues | 426,663 | 24,653 | 451,316 | 161,600 |
| Change in net assets | 174,584 | 134,918 | 309,502 | 85,336 |
| Net assets, beginning of year | 2,731,953 | 1,830,789 | 4,562,742 | 553,471 |
| Net assets, end of year | \$ 2,906,537 | \$ 1,965,707 | \$ 4,872,244 | \$ 638,807 |

VILLAGE OF LAKEVIEW

GOVERNMENTAL FUNDS

BALANCE SHEET

February 29, 2008

| | | | | <i>Nonmajor Governmental Fund</i> | |
|---------------------------------------|-------------------------|----------------------------------|----------------------------------|---|---|
| | <i>General Fund</i> | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Property Replacement Fund</i> | <i>Total Governmental Funds</i> |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 190,324 | \$ 203,691 | \$ 54,859 | \$ 129,420 | \$ 578,294 |
| Accounts receivable | 100 | - | - | - | 100 |
| Due from other governmental units | 36,840 | 14,418 | 4,551 | - | 55,809 |
| Due from component unit | 32,215 | - | - | - | 32,215 |
| Due from other funds | 30,319 | - | - | - | 30,319 |
| Inventory | 728 | - | - | - | 728 |
| Prepaid expenditures | 31,382 | - | - | - | 31,382 |
| Total assets | <u>\$ 321,908</u> | <u>\$ 218,109</u> | <u>\$ 59,410</u> | <u>\$ 129,420</u> | <u>\$ 728,847</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 8,651 | \$ 29 | \$ - | \$ - | \$ 8,680 |
| Accrued expenses | 3,744 | 425 | 236 | - | 4,405 |
| Due to other funds | 4,388 | 13,795 | 6,341 | - | 24,524 |
| Total liabilities | <u>16,783</u> | <u>14,249</u> | <u>6,577</u> | <u>-</u> | <u>37,609</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Inventory | 728 | - | - | - | 728 |
| Prepaid expenditures | 31,382 | - | - | - | 31,382 |
| Unreserved: | | | | | |
| General fund | 273,015 | - | - | - | 273,015 |
| Special revenue funds | - | 203,860 | 52,833 | 129,420 | 386,113 |
| Total fund balances | <u>305,125</u> | <u>203,860</u> | <u>52,833</u> | <u>129,420</u> | <u>691,238</u> |
| Total liabilities and fund balances | <u>\$ 321,908</u> | <u>\$ 218,109</u> | <u>\$ 59,410</u> | <u>\$ 129,420</u> | <u>\$ 728,847</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 29, 2008

| | | |
|---|------------------|----------------------------|
| Total fund balances for governmental funds | | \$ 691,238 |
| Total net assets reported for governmental activities in the statement of of net assets is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Governmental capital assets | 2,665,565 | |
| Less accumulated depreciation | <u>(441,858)</u> | 2,223,707 |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds: | | |
| Compensated absences payable | | <u>(8,408)</u> |
| Net assets of governmental activities | | <u><u>\$ 2,906,537</u></u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2008

| | | | | <i>Nonmajor Governmental Fund</i> | |
|--|-------------------------|----------------------------------|----------------------------------|---|---|
| | <i>General Fund</i> | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Property Replacement Fund</i> | <i>Total Governmental Funds</i> |
| Revenues: | | | | | |
| Property taxes | \$ 173,330 | \$ 30,176 | \$ 65,914 | \$ - | \$ 269,420 |
| Licenses and permits | 3,082 | - | - | - | 3,082 |
| State grants | 320,222 | 84,824 | 27,914 | - | 432,960 |
| Contributions from other units | 10,182 | 14,200 | - | - | 24,382 |
| Charges for services | 144,028 | - | - | - | 144,028 |
| Fines and forfeits | 8,092 | - | - | - | 8,092 |
| Interest and rents | 110,220 | 9,762 | 2,435 | 3,674 | 126,091 |
| Other revenue | 14,422 | 7,855 | 31,102 | - | 53,379 |
| Total revenues | <u>783,578</u> | <u>146,817</u> | <u>127,365</u> | <u>3,674</u> | <u>1,061,434</u> |
| Expenditures: | | | | | |
| Current | | | | | |
| General government | 182,258 | - | - | 1,124 | 183,382 |
| Public safety | 147,358 | - | - | - | 147,358 |
| Public works | 187,390 | 89,156 | 65,590 | - | 342,136 |
| Community and economic development | 10,419 | - | - | - | 10,419 |
| Recreation and culture | 17,408 | - | - | - | 17,408 |
| Other | - | - | - | - | - |
| Capital outlay | <u>209,507</u> | <u>227,743</u> | <u>98,665</u> | <u>-</u> | <u>535,915</u> |
| Total expenditures | <u>754,340</u> | <u>316,899</u> | <u>164,255</u> | <u>1,124</u> | <u>1,236,618</u> |
| Excess (deficiency) of revenues over expenditures | <u>29,238</u> | <u>(170,082)</u> | <u>(36,890)</u> | <u>2,550</u> | <u>(175,184)</u> |
| Other financing sources (uses): | | | | | |
| Transfer from other funds | - | - | - | 25,000 | 25,000 |
| Transfer to other funds | <u>(25,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(25,000)</u> |
| Total other financing sources (uses) | <u>(25,000)</u> | <u>-</u> | <u>-</u> | <u>25,000</u> | <u>-</u> |
| Net change in fund balances | 4,238 | (170,082) | (36,890) | 27,550 | (175,184) |
| Fund balances, beginning of year | <u>300,887</u> | <u>373,942</u> | <u>89,723</u> | <u>101,870</u> | <u>866,422</u> |
| Fund balances, end of year | <u>\$ 305,125</u> | <u>\$ 203,860</u> | <u>\$ 52,833</u> | <u>\$ 129,420</u> | <u>\$ 691,238</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 29, 2008

Net change in fund balances - total governmental funds \$ (175,184)

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

| | | |
|---------------------------|-----------------|---------|
| Capital outlay | 399,018 | |
| Less depreciation expense | <u>(49,326)</u> | 349,692 |

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as expenditures
in governmental funds.

| | |
|--|-----------|
| Change in compensated absences payable | <u>76</u> |
|--|-----------|

Change in net assets of governmental activities \$ 174,584

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

February 29, 2008

| | <i>Business-type Activities</i> | | |
|---|---------------------------------|-----------------------|---------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total Enterprise Funds</i> |
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 240,038 | \$ 337,547 | \$ 577,585 |
| Accounts receivable | 22,176 | 14,137 | 36,313 |
| Accrued interest receivable | 176 | 416 | 592 |
| Due from other governmental units | - | 115 | 115 |
| Due from other funds | 377 | 4,388 | 4,765 |
| Total current assets | 262,767 | 356,603 | 619,370 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 54,000 | 55,000 | 109,000 |
| Capital assets: | | | |
| Depreciable capital assets, net | 1,540,388 | 1,172,902 | 2,713,290 |
| Total noncurrent assets | 1,594,388 | 1,227,902 | 2,822,290 |
| Total assets | 1,857,155 | 1,584,505 | 3,441,660 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accrued expenses | 408 | 287 | 695 |
| Due to other funds | 5,232 | 5,328 | 10,560 |
| Accrued interest payable | 16,682 | 16,015 | 32,697 |
| Current portion of long-term debt, payable from restricted assets | 16,000 | 24,000 | 40,000 |
| Total current liabilities | 38,322 | 45,630 | 83,952 |
| Noncurrent liabilities: | | | |
| Long-term debt | 772,000 | 620,000 | 1,392,000 |
| Total noncurrent liabilities | 772,000 | 620,000 | 1,392,000 |
| Total liabilities | 810,322 | 665,630 | 1,475,952 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 752,388 | 528,902 | 1,281,290 |
| Restricted for: | | | |
| Debt service | 54,000 | 55,000 | 109,000 |
| Unrestricted | 240,445 | 334,973 | 575,418 |
| Total net assets | \$ 1,046,833 | \$ 918,875 | \$ 1,965,708 |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 29, 2008

| | <i>Business-type Activities</i> | | |
|--|---------------------------------|-----------------------|---------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total Enterprise Funds</i> |
| Operating revenues: | | | |
| Charges for services | \$ 197,104 | \$ 155,445 | \$ 352,549 |
| Other | 3,182 | 20,137 | 23,319 |
| Total operating revenues | 200,286 | 175,582 | 375,868 |
| Operating expenses: | | | |
| Personnel | 21,592 | 20,697 | 42,289 |
| Fringe benefits | 7,279 | 7,019 | 14,298 |
| Supplies | 3,786 | 7,375 | 11,161 |
| Contracted services | 6,541 | 8,292 | 14,833 |
| Administrative expense | 26,729 | 26,729 | 53,458 |
| Dues, licenses and permits | 2,237 | 1,626 | 3,863 |
| Education and training | 45 | 45 | 90 |
| Printing and publishing | - | 136 | 136 |
| Insurance | 2,357 | 2,255 | 4,612 |
| Utilities | 14,958 | 9,135 | 24,093 |
| Repairs and maintenance | 4,419 | 1,635 | 6,054 |
| Equipment rental | 6,956 | 5,379 | 12,335 |
| Other services and supplies | 3,407 | 2,079 | 5,486 |
| Depreciation | 67,962 | 33,901 | 101,863 |
| Total operating expenses | 168,268 | 126,303 | 294,571 |
| Operating income | 32,018 | 49,279 | 81,297 |
| Non-operating revenues (expenses): | | | |
| State grants | - | 6,405 | 6,405 |
| Interest income | 10,582 | 14,072 | 24,654 |
| Rental income | - | 7,920 | 7,920 |
| Interest expense | (46,226) | (33,349) | (79,575) |
| Net non-operating revenues | (35,644) | (4,952) | (40,596) |
| Net income (loss) before capital contributions | (3,626) | 44,327 | 40,701 |
| Capital contributions | 32,034 | 62,184 | 94,218 |
| Net income (loss) | 28,408 | 106,511 | 134,919 |
| Net assets, beginning of year | 1,018,425 | 812,364 | 1,830,789 |
| Net assets, end of year | \$ 1,046,833 | \$ 918,875 | \$ 1,965,708 |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 29, 2008

| | <i>Business-type Activities</i> | | |
|---|---------------------------------|-----------------------|---------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total Enterprise Funds</i> |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 199,907 | \$ 194,749 | \$ 394,656 |
| Cash payments for interfund services | (577) | (6,236) | (6,813) |
| Cash payments to employees | (21,592) | (20,697) | (42,289) |
| Cash payments to suppliers for goods and services | (76,723) | (109,840) | (186,563) |
| Net cash provided by operating activities | 101,015 | 57,976 | 158,991 |
| Cash flows from capital and related financing activities: | | | |
| State grants | - | 6,405 | 6,405 |
| Capital contributions | 32,034 | 62,184 | 94,218 |
| Acquisition and construction of capital assets | (53,787) | (65,123) | (118,910) |
| Principal payments | (14,000) | (18,000) | (32,000) |
| Interest paid | (46,226) | (33,349) | (79,575) |
| Net cash used by capital and related financing activities | (81,979) | (47,883) | (129,862) |
| Cash flows from investing activities: | | | |
| Interest received | 10,582 | 14,072 | 24,654 |
| Rent received | - | 7,920 | 7,920 |
| Net cash provided by investing activities | 10,582 | 21,992 | 32,574 |
| Net increase (decrease) in cash and cash equivalents | 29,618 | 32,085 | 61,703 |
| Cash and cash equivalents, beginning of year | 264,420 | 360,462 | 624,882 |
| Cash and cash equivalents, end of year | \$ 294,038 | \$ 392,547 | \$ 686,585 |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 32,018 | \$ 49,279 | \$ 81,297 |
| Adjustments: | | | |
| Depreciation | 67,962 | 33,901 | 101,863 |
| Change in assets and liabilities: | | | |
| Accounts receivable | (379) | (184) | (563) |
| Accrued interest receivable | - | (233) | (233) |
| Due from other governmental units | - | 19,584 | 19,584 |
| Due from other funds | (69) | (4,388) | (4,457) |
| Accounts payable | (173) | (38,193) | (38,366) |
| Accrued expenses | 279 | 123 | 402 |
| Due to other funds | (508) | (1,848) | (2,356) |
| Accrued interest payable | 1,885 | (65) | 1,820 |
| Net cash provided by operating activities | \$ 101,015 | \$ 57,976 | \$ 158,991 |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lakeview conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component unit. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Village's reporting entity because of its operational or financial relationship with the Village.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the Village's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority.

Related Organization – The Village's officials are also responsible for appointing members to the Board of the Village of Lakeview Hospital Finance Authority, but the Village's accountability for this organization does not extend beyond making the appointments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use unrestricted resources first, then restricted resources as they are needed.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Local Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village.

The Village reports the following major proprietary funds:

The **Sewer Enterprise Fund** is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The **Water Enterprise Fund** is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

Assets, Liabilities and Equity:

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less to be cash equivalents.

Restricted Assets – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Receivables – All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Expenses/Expenditures – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) of the governmental funds are capitalized if acquired since March 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------------|-------------|
| Buildings | 50 years |
| Land improvements | 15-20 years |
| Office furniture and equipment | 5-10 years |
| Public domain infrastructure | 20-50 years |
| System infrastructure | 50 years |
| Vehicles | 5 years |

Compensated Absences – Individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in Village policies.

Accumulated vacation benefits of governmental funds are recorded on the statement of net assets and not on the governmental fund balance sheets because they are not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds have been evaluated and determined to be immaterial to the financial statements as a whole. Consequently, no portion of the liability is reported in the statement of net assets of the individual enterprise funds.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes – Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 15. Real property taxes not collected as of October 1 are returned to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. The 2007 taxable valuation of the Village totaled \$23,313,419, on which ad valorem taxes levied consisted of 10.4810 mills for Village operating, 4.0497 for Village streets, and .8318 for Village cemetery.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. Budgetary control is exercised at the department level. The Village Manager is authorized to transfer budget amounts between line items within departments; however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year end.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

NOTE 3: CASH AND CASH EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$1,534,420 (including the Downtown Development Authority) of bank deposits (certificates of deposit, checking, and savings accounts), of which \$196,420 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

At year end, the Village had no investments.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2008 was as follows:

| | <u>March 1, 2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>February 29, 2008</u> |
|---|--------------------------|--------------------|--------------------|------------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 485,908 | \$ - | \$ - | \$ 485,908 |
| Depreciable capital assets | | | | |
| Buildings and improvements | 621,575 | - | - | 621,575 |
| Vehicles and equipment | 544,215 | - | - | 544,215 |
| Infrastructure | 614,850 | 399,018 | - | 1,013,868 |
| Total depreciable capital assets | 1,780,640 | 399,018 | - | 2,179,658 |
| Accumulated depreciation | (392,533) | (49,326) | - | (441,859) |
| Depreciable capital assets, net | 1,388,107 | 349,692 | - | 1,737,799 |
| Governmental activities, capital assets, net | <u>\$ 1,874,015</u> | <u>\$ 349,692</u> | <u>\$ -</u> | <u>\$ 2,223,707</u> |
| Business-type activities: | | | | |
| Depreciable capital assets | | | | |
| Equipment | \$ 112,972 | \$ 8,033 | \$ - | \$ 121,005 |
| Sewer system | 2,668,843 | 45,754 | - | 2,714,597 |
| Water system | 2,026,761 | 65,123 | - | 2,091,884 |
| Total depreciable capital assets | 4,808,576 | 118,910 | - | 4,927,486 |
| Accumulated depreciation | (2,112,333) | (101,863) | - | (2,214,196) |
| Business-type activities, capital assets, net | <u>\$ 2,696,243</u> | <u>\$ 17,047</u> | <u>\$ -</u> | <u>\$ 2,713,290</u> |
| Component unit - DDA: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 66,512 | \$ - | \$ - | \$ 66,512 |
| Depreciable capital assets | | | | |
| Equipment | 7,527 | - | - | 7,527 |
| Infrastructure | 710,050 | - | - | 710,050 |
| Land improvements | 63,724 | - | - | 63,724 |
| Total depreciable capital assets | 781,301 | - | - | 781,301 |
| Accumulated depreciation | (92,240) | (17,992) | - | (110,232) |
| Component unit - DDA, capital assets, net | <u>\$ 755,573</u> | <u>\$ (17,992)</u> | <u>\$ -</u> | <u>\$ 737,581</u> |

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

Depreciation expense was charged to functions as follows:

| | <i><u>Governmental Activities</u></i> | <i><u>Business-type Activities</u></i> | <i><u>Component Unit</u></i> |
|--------------------------------|---|--|----------------------------------|
| General government | \$ 1,363 | \$ - | \$ - |
| Public safety | 6,739 | - | - |
| Public works | 38,458 | - | - |
| Recreation and culture | 2,766 | - | - |
| Sewer | - | 67,962 | - |
| Water | - | 33,901 | - |
| Downtown development authority | - | - | 17,992 |
| | <u>\$ 49,326</u> | <u>\$ 101,863</u> | <u>\$ 17,992</u> |

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 29, 2008 is as follows:

| | <i><u>Due From</u></i> | <i><u>Due To</u></i> |
|-------------------|------------------------|----------------------|
| General Fund | \$ 30,319 | \$ - |
| Major Street Fund | - | 13,795 |
| Local Street Fund | - | 6,342 |
| Sewer Fund | - | 5,232 |
| Water Fund | - | 4,950 |
| | <u>\$ 30,319</u> | <u>\$ 30,319</u> |

| | <i><u>Due From</u></i> | <i><u>Due To</u></i> |
|--------------------------------|------------------------|----------------------|
| General Fund | \$ 32,215 | \$ - |
| Downtown Development Authority | - | 32,215 |
| | <u>\$ 32,215</u> | <u>\$ 32,215</u> |

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

| <i><u>Funds Transferred From</u></i> | <i><u>Funds Transferred To</u></i> | <i><u>Amount</u></i> |
|--------------------------------------|------------------------------------|----------------------|
| General Fund | Property Replacement Fund | <u>\$ 25,000</u> |

Transfers are used to use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

The following is a summary of debt transactions of the Village for the year ended February 29, 2008:

| <u>Types of Indebtedness</u> | <u>March 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>February 29, 2008</u> | <u>Due Within One Year</u> |
|--|--------------------------|------------------|------------------|------------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | | | |
| Compensated absences payable | \$ 8,484 | \$ - | \$ 76 | \$ 8,408 | \$ - |
| <u>Business-type Activities</u> | | | | | |
| 1986 Series A Sewer Revenue Bonds, due in annual amounts ranging from \$8,000 to \$13,000 plus interest at 6.125% through 2026. | \$ 207,000 | \$ - | \$ 8,000 | \$ 199,000 | \$ 8,000 |
| 1986 Series B Sewer Revenue Bonds, due in annual amounts ranging from \$1,000 to \$16,000 plus interest at 6.125% through 2026. | 170,000 | - | 1,000 | 169,000 | 3,000 |
| 1982 Water Revenue Bonds, due in annual amounts ranging from \$15,000 to \$35,000 plus interest at 5.0% through 2020. | 350,000 | - | 15,000 | 335,000 | 20,000 |
| 2000 Water Supply System Revenue Bonds, due in annual amounts ranging from \$3,000 to \$19,000 plus interest at 5.125% through 2041. | 312,000 | - | 3,000 | 309,000 | 4,000 |
| 2001 Sanitary Sewer System Revenue Bonds, due in annual amounts ranging from \$5,000 to \$25,000 plus interest at 5.0% through 2041. | 425,000 | - | 5,000 | 420,000 | 5,000 |
| Total business-type activities | \$ 1,464,000 | \$ - | \$ 32,000 | \$ 1,432,000 | \$ 40,000 |

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

| <u>Types of Indebtedness</u> | <u>March 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>February 29, 2008</u> | <u>Due Within One Year</u> |
|---|--------------------------|------------------|------------------|------------------------------|--------------------------------|
| <u>Component Unit - DDA:</u> | | | | | |
| 2001 Downtown Development Bonds, due in annual amounts ranging from \$20,000 to \$40,000 plus interest at 4.1% through 2022. | \$ 420,000 | \$ - | \$ 20,000 | \$ 400,000 | \$ 20,000 |

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences payable) as of February 29, 2008 are as follows:

| <u>Year Ended</u> | <u>Business-type Activities</u> | | | <u>Component Unit - DDA</u> | | |
|---------------------|---------------------------------|---------------------|---------------------|-----------------------------|-------------------|-------------------|
| <u>February 28,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2009 | \$ 40,000 | \$ 77,966 | \$ 117,966 | \$ 20,000 | \$ 19,540 | \$ 39,540 |
| 2010 | 46,000 | 75,783 | 121,783 | 20,000 | 18,650 | 38,650 |
| 2011 | 47,000 | 73,284 | 120,284 | 20,000 | 17,740 | 37,740 |
| 2012 | 50,000 | 70,732 | 120,732 | 25,000 | 16,693 | 41,693 |
| 2013 | 56,000 | 67,983 | 123,983 | 25,000 | 15,505 | 40,505 |
| 2014-2018 | 318,000 | 291,585 | 609,585 | 140,000 | 57,783 | 197,783 |
| 2019-2023 | 253,000 | 204,758 | 457,758 | 150,000 | 16,240 | 166,240 |
| 2024-2028 | 189,000 | 137,053 | 326,053 | - | - | - |
| 2029-2033 | 134,000 | 96,567 | 230,567 | - | - | - |
| 2034-2038 | 173,000 | 58,921 | 231,921 | - | - | - |
| 2039-2041 | 126,000 | 12,938 | 138,938 | - | - | - |
| | <u>\$ 1,432,000</u> | <u>\$ 1,167,570</u> | <u>\$ 2,599,570</u> | <u>\$ 400,000</u> | <u>\$ 162,151</u> | <u>\$ 562,151</u> |

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Component Unit - DDA</u> |
|---|------------------------------------|-------------------------------------|---------------------------------|
| Receivables: | | | |
| Accounts | \$ 100 | \$ 36,313 | \$ - |
| Accrued interest receivable | - | 592 | - |
| Intergovernmental | 88,024 | 115 | 45,824 |
| Total receivables | <u>\$ 88,124</u> | <u>\$ 37,020</u> | <u>\$ 45,824</u> |
| Accounts payable and accrued expenses: | | | |
| Accounts payable | \$ 8,680 | \$ - | \$ - |
| Accrued payroll and related liabilities | 4,405 | 696 | - |
| Intergovernmental | - | - | 32,215 |
| Accrued interest payable | - | 32,697 | 9,990 |
| Total accounts payable and accrued expenses | <u>\$ 13,085</u> | <u>\$ 33,393</u> | <u>\$ 42,205</u> |

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 8: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended February 29, 2008, the Village carried commercial insurance to cover most risks of losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Pension Plan

The Village does not provide pension plan benefits.

Post Employment Benefits

The Village does not provide post employment benefits.

Deferred Compensation Plan

The Village participates in a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code. The plan is administered by the Massachusetts Mutual Life Insurance Company and is available to all employees. Under the plan, employees can elect to defer a portion of their wages each pay period. After an employee has worked at the Village for two years, the Village also makes an additional matching contribution of up to 5% of the employee's annual wage. The deferred amounts are not taxable to the employees until retirement or separation from employment. All assets of the plan are held in trust for the employees and are not included in the Village financial statements.

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for inventory – This reserve was created to indicate that the portion of fund balance represented by inventory is not available for appropriation.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF LAKEVIEW

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

| | <i>Budgeted Amounts</i> | | | <i>Actual Over (Under) Final Budget</i> |
|--|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | <i>Actual</i> | |
| Revenues: | | | | |
| Property taxes | \$ 170,373 | \$ 173,407 | \$ 173,330 | \$ (77) |
| Licenses and permits | 3,275 | 3,275 | 3,082 | (193) |
| State grants | 128,340 | 135,498 | 320,222 | 184,724 |
| Contributions from other units | 10,407 | 10,234 | 10,182 | (52) |
| Charges for services | 144,476 | 146,633 | 144,028 | (2,605) |
| Fines and forfeits | - | - | 8,092 | 8,092 |
| Interest and rents | 100,250 | 114,845 | 110,220 | (4,625) |
| Other revenue | 192,500 | 192,375 | 14,422 | (177,953) |
| Total revenues | 749,621 | 776,267 | 783,578 | 7,311 |
| Expenditures: | | | | |
| Current | | | | |
| General government | 192,487 | 192,749 | 182,258 | (10,491) |
| Public safety | 150,974 | 152,110 | 147,358 | (4,752) |
| Public works | 190,154 | 198,291 | 187,390 | (10,901) |
| Community and economic development | 6,851 | 15,529 | 10,419 | (5,110) |
| Recreation and culture | 18,445 | 19,405 | 17,408 | (1,997) |
| Capital outlay | 203,448 | 209,507 | 209,507 | - |
| Total expenditures | 762,359 | 787,591 | 754,340 | (33,251) |
| Excess (deficiency) of revenues over expenditures | (12,738) | (11,324) | 29,238 | 40,562 |
| Other financing uses: | | | | |
| Transfer to other funds | (25,000) | (25,000) | (25,000) | - |
| Total other financing uses | (25,000) | (25,000) | (25,000) | - |
| Net change in fund balance | (37,738) | (36,324) | 4,238 | 40,562 |
| Fund balance, beginning of year | 300,887 | 300,887 | 300,887 | - |
| Fund balance, end of year | \$ 263,149 | \$ 264,563 | \$ 305,125 | \$ 40,562 |

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Actual</i> |
|---------------------------------|-------------------------|-------------------|-------------------|--|
| | <i>Original</i> | <i>Final</i> | | <i>Over (Under)</i> <i>Final Budget</i> |
| Revenues: | | | | |
| Property taxes | \$ 30,200 | \$ 30,200 | \$ 30,176 | \$ (24) |
| State grants | 83,000 | 83,500 | 84,824 | 1,324 |
| Contributions from other units | - | 14,200 | 14,200 | - |
| Interest and rents | 7,000 | 9,000 | 9,762 | 762 |
| Other revenue | <u>2,700</u> | <u>10,117</u> | <u>7,855</u> | <u>(2,262)</u> |
| Total revenues | <u>122,900</u> | <u>147,017</u> | <u>146,817</u> | <u>(200)</u> |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 101,229 | 96,220 | 89,156 | (7,064) |
| Capital outlay | <u>135,000</u> | <u>228,200</u> | <u>227,743</u> | <u>(457)</u> |
| Total expenditures | <u>236,229</u> | <u>324,420</u> | <u>316,899</u> | <u>(7,521)</u> |
| Net change in fund balance | (113,329) | (177,403) | (170,082) | 7,321 |
| Fund balance, beginning of year | <u>373,942</u> | <u>373,942</u> | <u>373,942</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 260,613</u> | <u>\$ 196,539</u> | <u>\$ 203,860</u> | <u>\$ 7,321</u> |

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

| | <i>Budgeted Amounts</i> | | | <i>Actual Over (Under) Final Budget</i> |
|---------------------------------|-------------------------|------------------|------------------|---|
| | <i>Original</i> | <i>Final</i> | <i>Actual</i> | |
| Revenues: | | | | |
| Property taxes | \$ 60,000 | \$ 65,914 | \$ 65,914 | \$ - |
| State grants | 26,650 | 26,650 | 27,914 | 1,264 |
| Interest and rents | 800 | 2,100 | 2,435 | 335 |
| Other revenue | - | 33,100 | 31,102 | (1,998) |
| | <u>87,450</u> | <u>127,764</u> | <u>127,365</u> | <u>(399)</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 61,615 | 72,792 | 65,590 | (7,202) |
| Capital outlay | <u>65,000</u> | <u>99,000</u> | <u>98,665</u> | <u>(335)</u> |
| | <u>126,615</u> | <u>171,792</u> | <u>164,255</u> | <u>(7,537)</u> |
| Total expenditures | | | | |
| Net change in fund balance | (39,165) | (44,028) | (36,890) | 7,138 |
| Fund balance, beginning of year | <u>89,723</u> | <u>89,723</u> | <u>89,723</u> | - |
| Fund balance, end of year | <u>\$ 50,558</u> | <u>\$ 45,695</u> | <u>\$ 52,833</u> | <u>\$ 7,138</u> |

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF LAKEVIEW

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 29, 2008

Current Taxes:

| | |
|---------------------|----------------|
| Property taxes | \$ 169,724 |
| Administration fees | 3,606 |
| | <u>173,330</u> |

Licenses and permits:

| | |
|---------------------|--------------|
| CATV franchise fees | <u>3,082</u> |
|---------------------|--------------|

State Grants:

| | |
|-----------------------------------|----------------|
| Liquor license fees | 1,626 |
| State revenue sharing - sales tax | 119,555 |
| | <u>320,222</u> |

Contribution from other units:

| | |
|---|---------------|
| Downtown Development Authority - administrative expense | <u>10,182</u> |
|---|---------------|

Charges for services:

| | |
|--|----------------|
| Cemetery fees | 9,677 |
| Police services and reports | 6,645 |
| Airport fees | 10,549 |
| Appeals fees | 60 |
| Charges to other funds and departments | 117,097 |
| | <u>144,028</u> |

Fines and forfeits:

| | |
|--------|--------------|
| Police | <u>8,092</u> |
|--------|--------------|

Interest and rents:

| | |
|------------------|----------------|
| Equipment rental | 93,087 |
| Interest | 9,933 |
| Rents | 7,200 |
| | <u>110,220</u> |

Other Revenue:

| | |
|-----------------------------|---------------|
| Cemetery lots | 2,782 |
| Contributions and donations | 2,838 |
| Other | 8,802 |
| | <u>14,422</u> |

| | |
|----------------|--------------------------|
| Total revenues | <u><u>\$ 783,578</u></u> |
|----------------|--------------------------|

VILLAGE OF LAKEVIEW

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 29, 2008

Expenditures:

General Government:

Council:

| | |
|---------------------------|---------------|
| Personnel | \$ 3,725 |
| Fringe benefits | 301 |
| Administration | 1,273 |
| Dues and memberships | 1,548 |
| Conferences and workshops | 334 |
| Insurance | 4,739 |
| Other | 450 |
| | <u>12,370</u> |

President:

| | |
|------------------------|--------------|
| Personnel | 1,025 |
| Fringe benefits | 83 |
| Education and training | 112 |
| Insurance | 790 |
| | <u>2,010</u> |

Administration:

| | |
|-------------------------|----------------|
| Personnel | 82,757 |
| Fringe benefits | 27,604 |
| Supplies | 2,295 |
| Contracted services | 1,726 |
| Telephone | 2,700 |
| Utilities | 1,519 |
| Repairs and maintenance | 730 |
| | <u>119,331</u> |

Clerk:

| | |
|---------------------------|--------------|
| Supplies | 1,207 |
| Administration | 1,273 |
| Dues and memberships | 637 |
| Printing and publications | 943 |
| Insurance | 2,670 |
| | <u>6,730</u> |

Audit:

| | |
|---------------------|--------------|
| Contracted services | 6,850 |
| | <u>6,850</u> |

Treasurer:

| | |
|---------------------|--------------|
| Supplies | 344 |
| Contracted services | 640 |
| Administration | 1,273 |
| Insurance | 790 |
| | <u>3,047</u> |

Attorney:

| | |
|---------------------|--------------|
| Contracted services | <u>6,092</u> |
|---------------------|--------------|

VILLAGE OF LAKEVIEW

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 29, 2008

Expenditures, continued:

General Government, continued:

Cemetery:

| | |
|-------------------------|--------|
| Personnel | 9,006 |
| Fringe benefits | 2,541 |
| Supplies | 1,094 |
| Contracted services | 3,608 |
| Administration | 6,364 |
| Insurance | 254 |
| Utilities | 139 |
| Repairs and maintenance | 289 |
| Equipment rental | 2,533 |
| | <hr/> |
| | 25,828 |

| | | |
|--------------------------|-------|---------|
| Total general government | <hr/> | 182,258 |
|--------------------------|-------|---------|

Public Safety:

Police:

| | |
|---------------------------|---------|
| Personnel | 83,505 |
| Fringe benefits | 27,713 |
| Supplies | 7,371 |
| Contracted services | 4,197 |
| Administration | 3,818 |
| Telephone | 1,156 |
| Dues and memberships | 100 |
| Conferences and workshops | 350 |
| Printing and publications | 57 |
| Insurance | 6,044 |
| Utilities | 1,519 |
| Repairs and maintenance | 291 |
| Equipment rental | 10,897 |
| Other | 340 |
| | <hr/> |
| | 147,358 |

Public Works:

Department of Public Works:

| | |
|---------------------------|--------|
| Personnel | 22,569 |
| Fringe benefits | 6,617 |
| Supplies | 16,833 |
| Contracted services | 387 |
| Administration | 6,364 |
| Telephone | 822 |
| Conferences and workshops | 75 |
| Insurance | 5,508 |
| Utilities | 3,118 |
| Repairs and maintenance | 14,322 |
| Other | 240 |
| | <hr/> |
| | 76,855 |

VILLAGE OF LAKEVIEW

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 29, 2008

Expenditures, continued:

Public Works, continued:

Sidewalks:

| | |
|-------------------------|--------------|
| Personnel | 715 |
| Fringe benefits | 187 |
| Contracted services | 593 |
| Administration | 1,273 |
| Repairs and maintenance | 3 |
| Equipment rental | 570 |
| | <u>3,341</u> |

Street Lighting:

| | |
|-------------------------|---------------|
| Utilities | 14,827 |
| Repairs and maintenance | 97 |
| | <u>14,924</u> |

Environmental Control:

| | |
|---------------------|---------------|
| Personnel | 9,988 |
| Fringe benefits | 2,821 |
| Supplies | 164 |
| Contracted services | 7,173 |
| Administration | 5,091 |
| Equipment rental | 10,122 |
| | <u>35,359</u> |

Tamarack Lake Project:

| | |
|---------------------|--------------|
| Contracted services | <u>8,983</u> |
|---------------------|--------------|

Airport:

| | |
|---------------------------|---------------|
| Personnel | 6,761 |
| Fringe benefits | 1,955 |
| Supplies | 560 |
| Contracted services | 855 |
| Administration | 10,182 |
| Telephone | 589 |
| Dues and memberships | 50 |
| Printing and publications | 79 |
| Insurance | 2,415 |
| Utilities | 3,431 |
| Repairs and maintenance | 335 |
| Equipment rental | 11,608 |
| Other | 744 |
| | <u>39,564</u> |

Other:

| | |
|---------------------|----------------|
| Contracted services | <u>8,364</u> |
| Total public works | <u>187,390</u> |

VILLAGE OF LAKEVIEW

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 29, 2008

Expenditures, continued:

Community and Economic Development:

Zoning:

| | |
|---------------------------|--------|
| Personnel | 2,968 |
| Fringe benefits | 802 |
| Supplies | 73 |
| Contracted services | 4,991 |
| Administration | 1,273 |
| Printing and publications | 312 |
| | <hr/> |
| | 10,419 |

Recreation and Culture:

Parks and Grounds:

| | |
|-------------------------|--------|
| Personnel | 4,054 |
| Fringe benefits | 1,135 |
| Supplies | 79 |
| Contracted services | 1,012 |
| Administration | 2,546 |
| Utilities | 4,971 |
| Repairs and maintenance | 296 |
| Equipment rental | 3,315 |
| | <hr/> |
| | 17,408 |

Capital Outlay:

| | |
|------------------------|---------|
| General government | 1,100 |
| Public works | 207,657 |
| Recreation and culture | 750 |
| | <hr/> |
| | 209,507 |

| | |
|--------------------|---------|
| Total expenditures | <hr/> |
| | 754,340 |

Other Financing Uses:

| | |
|---|------------|
| Transfer to other funds | <hr/> |
| | 25,000 |
| Total expenditures and other financing uses | <hr/> |
| | \$ 779,340 |

VILLAGE OF LAKEVIEW

COMPONENT UNIT

BALANCE SHEET

February 29, 2008

| | | <u><i>Downtown Development Authority</i></u> |
|---|------------------|--|
| Assets: | | |
| Cash and cash equivalents | \$ | 267,617 |
| Due from other governmental units | | 45,824 |
| Prepaid expenditures | | <u>29,990</u> |
| Total assets | \$ | <u><u>343,431</u></u> |
| Liabilities and Fund Balance: | | |
| Liabilities: | | |
| Due to primary government - General Fund | \$ | <u>32,215</u> |
| Total liabilities | | <u>32,215</u> |
| Fund balances: | | |
| Unreserved | | <u>311,216</u> |
| Total fund balance | | <u>311,216</u> |
| Total liabilities and fund balance | \$ | <u><u>343,431</u></u> |
| RECONCILIATION OF FUND BALANCE TO NET ASSETS: | | |
| Total fund balance for the component unit | \$ | 311,216 |
| Total net assets reported for the component unit in the statement of of net assets is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Governmental capital assets | 847,813 | |
| Less accumulated depreciation | <u>(110,232)</u> | 737,581 |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds: | | |
| Bonds payable | (400,000) | |
| Accrued interest payable | <u>(9,990)</u> | <u>(409,990)</u> |
| Net assets of the component unit | \$ | <u><u>638,807</u></u> |

VILLAGE OF LAKEVIEW

COMPONENT UNIT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended February 29, 2008

| | <u><i>Downtown Development Authority</i></u> |
|------------------------------------|--|
| Revenues: | |
| Property taxes | \$ 155,156 |
| Interest and rents | 6,444 |
| Total revenues | <u>161,600</u> |
| Expenditures: | |
| Current | |
| Community and economic development | 16,540 |
| Contribution to Major Street Fund | 14,200 |
| Debt service | |
| Principal | 20,000 |
| Interest and fees | <u>20,410</u> |
| Total expenditures | <u>71,150</u> |
| Net change in fund balance | 90,450 |
| Fund balance, beginning of year | <u>220,766</u> |
| Fund balance, end of year | <u><u>\$ 311,216</u></u> |

RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET ASSETS:

| | |
|--|------------------|
| Net change in fund balance - component unit | \$ 90,450 |
|--|------------------|

Total change in net assets reported for the component unit in the statement
of activities is different because:

Component units report capital outlays as expenditures. However, in the statement
of activities, the cost of those assets is depreciated over their estimated useful
lives and reported as depreciation expense.

| | | |
|---------------------------|-----------------|----------|
| Capital outlay | (7,552) | |
| Less depreciation expense | <u>(17,992)</u> | (25,544) |

| | |
|---|--------|
| Repayments of principal on long-term debt are expenditures in the component unit but the payments reduce long-term liabilities in the statement of net assets. | 20,000 |
|---|--------|

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the component unit.

| | |
|------------------------------------|------------|
| Change in accrued interest payable | <u>430</u> |
|------------------------------------|------------|

| | |
|---|--------------------------------|
| Change in net assets of the component unit | <u><u>\$ 85,336</u></u> |
|---|--------------------------------|

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

1986 SEWER REVENUE BONDS, SERIES A

| | | |
|--------------------------------------|----|----------------|
| Original issue amount | \$ | 273,000 |
| Less: Principal paid in prior years | | (66,000) |
| Principal paid in current year | | <u>(8,000)</u> |
| Balance payable at February 29, 2008 | \$ | <u>199,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due</i> | <i>Principal due</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|---------------------|----------------------|---|
| 2009 | 6.125% | \$ 13,184 | \$ 8,000 | \$ 21,184 |
| 2010 | 6.125% | 12,654 | 9,000 | 21,654 |
| 2011 | 6.125% | 12,058 | 9,000 | 21,058 |
| 2012 | 6.125% | 11,461 | 9,000 | 20,461 |
| 2013 | 6.125% | 10,865 | 10,000 | 20,865 |
| 2014 | 6.125% | 10,202 | 10,000 | 20,202 |
| 2015 | 6.125% | 9,540 | 10,000 | 19,540 |
| 2016 | 6.125% | 8,878 | 11,000 | 19,878 |
| 2017 | 6.125% | 8,148 | 11,000 | 19,148 |
| 2018 | 6.125% | 7,420 | 11,000 | 18,420 |
| 2019 | 6.125% | 6,691 | 12,000 | 18,691 |
| 2020 | 6.125% | 5,896 | 12,000 | 17,896 |
| 2021 | 6.125% | 5,101 | 12,000 | 17,101 |
| 2022 | 6.125% | 4,306 | 13,000 | 17,306 |
| 2023 | 6.050% | 3,445 | 13,000 | 16,445 |
| 2024 | 6.100% | 2,584 | 13,000 | 15,584 |
| 2025 | 6.100% | 1,724 | 13,000 | 14,724 |
| 2026 | 6.100% | <u>862</u> | <u>13,000</u> | <u>13,862</u> |
| | | \$ 135,019 | \$ 199,000 | \$ 334,019 |

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

1986 SEWER REVENUE BONDS, SERIES B

| | | |
|--------------------------------------|----|----------------|
| Original issue amount | \$ | 188,000 |
| Less: Principal paid in prior years | | (18,000) |
| Principal paid in current year | | <u>(1,000)</u> |
| Balance payable at February 29, 2008 | \$ | <u>169,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due</i> | <i>Principal due</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|---------------------|----------------------|---|
| 2009 | 6.125% | \$ 11,196 | \$ 3,000 | \$ 14,196 |
| 2010 | 6.125% | 10,998 | 3,000 | 13,998 |
| 2011 | 6.125% | 10,800 | 3,000 | 13,800 |
| 2012 | 6.125% | 10,600 | 6,000 | 16,600 |
| 2013 | 6.125% | 10,202 | 6,000 | 16,202 |
| 2014 | 6.125% | 9,805 | 6,000 | 15,805 |
| 2015 | 6.125% | 9,407 | 8,000 | 17,407 |
| 2016 | 6.125% | 8,877 | 8,000 | 16,877 |
| 2017 | 6.125% | 8,348 | 8,000 | 16,348 |
| 2018 | 6.125% | 7,817 | 11,000 | 18,817 |
| 2019 | 6.125% | 7,089 | 11,000 | 18,089 |
| 2020 | 6.125% | 6,360 | 11,000 | 17,360 |
| 2021 | 6.125% | 5,631 | 13,000 | 18,631 |
| 2022 | 6.125% | 4,770 | 13,000 | 17,770 |
| 2023 | 6.050% | 3,909 | 13,000 | 16,909 |
| 2024 | 6.100% | 3,047 | 15,000 | 18,047 |
| 2025 | 6.100% | 2,054 | 15,000 | 17,054 |
| 2026 | 6.100% | <u>1,060</u> | <u>16,000</u> | <u>17,060</u> |
| | | \$ 131,970 | \$ 169,000 | \$ 300,970 |

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

SANITARY SEWER SYSTEM REVENUE BONDS, SERIES 2001

| | | |
|--------------------------------------|----------------|----------------|
| Original issue amount | \$ | 450,000 |
| Less: Principal paid in prior years | (25,000) | |
| Principal paid in current year | <u>(5,000)</u> | |
| Balance payable at February 29, 2008 | <u>\$</u> | <u>420,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due August 1</i> | <i>Interest due February 1</i> | <i>Principal due February 1</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|----------------------------------|------------------------------------|-------------------------------------|---|
| 2009 | 5.00% | \$ 10,500 | \$ 10,500 | \$ 5,000 | \$ 26,000 |
| 2010 | 5.00% | 10,375 | 10,375 | 5,000 | 25,750 |
| 2011 | 5.00% | 10,250 | 10,250 | 6,000 | 26,500 |
| 2012 | 5.00% | 10,100 | 10,100 | 6,000 | 26,200 |
| 2013 | 5.00% | 9,950 | 9,950 | 6,000 | 25,900 |
| 2014 | 5.00% | 9,800 | 9,800 | 7,000 | 26,600 |
| 2015 | 5.00% | 9,625 | 9,625 | 7,000 | 26,250 |
| 2016 | 5.00% | 9,450 | 9,450 | 7,000 | 25,900 |
| 2017 | 5.00% | 9,275 | 9,275 | 8,000 | 26,550 |
| 2018 | 5.00% | 9,075 | 9,075 | 8,000 | 26,150 |
| 2019 | 5.00% | 8,875 | 8,875 | 8,000 | 25,750 |
| 2020 | 5.00% | 8,675 | 8,675 | 9,000 | 26,350 |
| 2021 | 5.00% | 8,450 | 8,450 | 9,000 | 25,900 |
| 2022 | 5.00% | 8,225 | 8,225 | 10,000 | 26,450 |
| 2023 | 5.00% | 7,975 | 7,975 | 10,000 | 25,950 |
| 2024 | 5.00% | 7,725 | 7,725 | 11,000 | 26,450 |
| 2025 | 5.00% | 7,450 | 7,450 | 11,000 | 25,900 |
| 2026 | 5.00% | 7,175 | 7,175 | 12,000 | 26,350 |
| 2027 | 5.00% | 6,875 | 6,875 | 13,000 | 26,750 |
| 2028 | 5.00% | 6,550 | 6,550 | 13,000 | 26,100 |
| 2029 | 5.00% | 6,225 | 6,225 | 14,000 | 26,450 |
| 2030 | 5.00% | 5,875 | 5,875 | 15,000 | 26,750 |
| 2031 | 5.00% | 5,500 | 5,500 | 15,000 | 26,000 |
| 2032 | 5.00% | 5,125 | 5,125 | 16,000 | 26,250 |
| 2033 | 5.00% | 4,725 | 4,725 | 17,000 | 26,450 |
| 2034 | 5.00% | 4,300 | 4,300 | 18,000 | 26,600 |
| 2035 | 5.00% | 3,850 | 3,850 | 19,000 | 26,700 |
| 2036 | 5.00% | 3,375 | 3,375 | 20,000 | 26,750 |
| 2037 | 5.00% | 2,875 | 2,875 | 21,000 | 26,750 |
| 2038 | 5.00% | 2,350 | 2,350 | 22,000 | 26,700 |
| 2039 | 5.00% | 1,800 | 1,800 | 23,000 | 26,600 |
| 2040 | 5.00% | 1,225 | 1,225 | 24,000 | 26,450 |
| 2041 | 5.00% | <u>625</u> | <u>625</u> | <u>25,000</u> | <u>26,250</u> |
| | | <u>\$ 224,225</u> | <u>\$ 224,225</u> | <u>\$ 420,000</u> | <u>\$ 868,450</u> |

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 1982

| | | |
|--------------------------------------|----|-----------------|
| Original issue amount | \$ | 630,000 |
| Less: | | |
| Principal paid in prior years | | (280,000) |
| Principal paid in current year | | <u>(15,000)</u> |
| Balance payable at February 29, 2008 | \$ | <u>335,000</u> |

Balance payable as follows:

| <i><u>Fiscal</u></i> <i><u>Year Ended</u></i> | <i><u>Interest</u></i> <i><u>Rate</u></i> | <i><u>Interest due</u></i> | <i><u>Principal due</u></i> | <i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i> |
|--|--|----------------------------|-----------------------------|--|
| 2009 | 5.000% | \$ 16,750 | \$ 20,000 | \$ 36,750 |
| 2010 | 5.000% | 15,750 | 25,000 | 40,750 |
| 2011 | 5.000% | 14,500 | 25,000 | 39,500 |
| 2012 | 5.000% | 13,250 | 25,000 | 38,250 |
| 2013 | 5.000% | 12,000 | 30,000 | 42,000 |
| 2014 | 5.000% | 10,500 | 30,000 | 40,500 |
| 2015 | 5.000% | 9,000 | 30,000 | 39,000 |
| 2016 | 5.000% | 7,500 | 30,000 | 37,500 |
| 2017 | 5.000% | 6,000 | 35,000 | 41,000 |
| 2018 | 5.000% | 4,250 | 35,000 | 39,250 |
| 2019 | 5.000% | 2,500 | 35,000 | 37,500 |
| 2020 | 5.000% | <u>750</u> | <u>15,000</u> | <u>15,750</u> |
| | | \$ <u>112,750</u> | \$ <u>335,000</u> | \$ <u>447,750</u> |

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2000 WATER SUPPLY SYSTEM REVENUE BONDS

| | | |
|--------------------------------------|----|----------------|
| Original issue amount | \$ | 330,000 |
| Less: Principal paid in prior years | | (18,000) |
| Principal paid in current year | | <u>(3,000)</u> |
| Balance payable at February 29, 2008 | \$ | <u>309,000</u> |

Balance payable as follows:

| <i>Fiscal</i> <i>Year Ended</i> | <i>Interest</i> <i>Rate</i> | <i>Interest due</i> | <i>Principal due</i> | <i>Total</i> <i>Annual</i> <i>Requirement</i> |
|------------------------------------|--------------------------------|---------------------|----------------------|---|
| 2009 | 5.125% | \$ 15,836 | \$ 4,000 | \$ 19,836 |
| 2010 | 5.125% | 15,631 | 4,000 | 19,631 |
| 2011 | 5.125% | 15,426 | 4,000 | 19,426 |
| 2012 | 5.125% | 15,221 | 4,000 | 19,221 |
| 2013 | 5.125% | 15,016 | 4,000 | 19,016 |
| 2014 | 5.125% | 14,811 | 5,000 | 19,811 |
| 2015 | 5.125% | 14,555 | 5,000 | 19,555 |
| 2016 | 5.125% | 14,299 | 5,000 | 19,299 |
| 2017 | 5.125% | 14,043 | 6,000 | 20,043 |
| 2018 | 5.125% | 13,735 | 6,000 | 19,735 |
| 2019 | 5.125% | 13,428 | 6,000 | 19,428 |
| 2020 | 5.125% | 13,120 | 6,000 | 19,120 |
| 2021 | 5.125% | 12,813 | 7,000 | 19,813 |
| 2022 | 5.125% | 12,454 | 7,000 | 19,454 |
| 2023 | 5.125% | 12,095 | 8,000 | 20,095 |
| 2024 | 5.125% | 11,685 | 8,000 | 19,685 |
| 2025 | 5.125% | 11,275 | 8,000 | 19,275 |
| 2026 | 5.125% | 10,865 | 9,000 | 19,865 |
| 2027 | 5.125% | 10,404 | 9,000 | 19,404 |
| 2028 | 5.125% | 9,943 | 10,000 | 19,943 |
| 2029 | 5.125% | 9,430 | 10,000 | 19,430 |
| 2030 | 5.125% | 8,918 | 11,000 | 19,918 |
| 2031 | 5.125% | 8,354 | 11,000 | 19,354 |
| 2032 | 5.125% | 7,790 | 12,000 | 19,790 |
| 2033 | 5.125% | 7,175 | 13,000 | 20,175 |
| 2034 | 5.125% | 6,509 | 13,000 | 19,509 |
| 2035 | 5.125% | 5,843 | 14,000 | 19,843 |
| 2036 | 5.125% | 5,125 | 15,000 | 20,125 |
| 2037 | 5.125% | 4,356 | 15,000 | 19,356 |
| 2038 | 5.125% | 3,588 | 16,000 | 19,588 |
| 2039 | 5.125% | 2,768 | 17,000 | 19,768 |
| 2040 | 5.125% | 1,896 | 18,000 | 19,896 |
| 2041 | 5.125% | 974 | 19,000 | 19,974 |
| | | <u>\$ 339,381</u> | <u>\$ 309,000</u> | <u>\$ 648,381</u> |

VILLAGE OF LAKEVIEW

COMPONENT UNIT

SCHEDULE OF INDEBTEDNESS

February 29, 2008

2001 DOWNTOWN DEVELOPMENT BONDS

| | | |
|--------------------------------------|----|-----------------|
| Original issue amount | \$ | 500,000 |
| Less: Principal paid in prior years | | (80,000) |
| Principal paid in current year | | <u>(20,000)</u> |
| Balance payable at February 29, 2008 | \$ | <u>400,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due</i> | <i>Principal due</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|---------------------|----------------------|---|
| 2009 | 4.100% | \$ 19,540 | \$ 20,000 | \$ 39,540 |
| 2010 | 4.100% | 18,650 | 20,000 | 38,650 |
| 2011 | 4.100% | 17,740 | 20,000 | 37,740 |
| 2012 | 4.100% | 16,693 | 25,000 | 41,693 |
| 2013 | 4.100% | 15,505 | 25,000 | 40,505 |
| 2014 | 4.100% | 14,292 | 25,000 | 39,292 |
| 2015 | 4.100% | 13,055 | 25,000 | 38,055 |
| 2016 | 4.100% | 11,672 | 30,000 | 41,672 |
| 2017 | 4.100% | 10,151 | 30,000 | 40,151 |
| 2018 | 4.100% | 8,613 | 30,000 | 38,613 |
| 2019 | 4.100% | 6,930 | 35,000 | 41,930 |
| 2020 | 4.100% | 5,110 | 35,000 | 40,110 |
| 2021 | 4.100% | 3,150 | 40,000 | 43,150 |
| 2022 | 4.100% | <u>1,050</u> | <u>40,000</u> | <u>41,050</u> |
| | | <u>\$ 162,151</u> | <u>\$ 400,000</u> | <u>\$ 562,151</u> |



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of Village Council
Village of Lakeview, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lakeview, as of and for the year ended February 29, 2008, which collectively comprise the Village of Lakeview's basic financial statements and have issued our report thereon dated May 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Lakeview's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lakeview's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bertch & Co.

Saginaw, Michigan
May 1, 2008



REQUIRED COMMUNICATION TO THE VILLAGE OF LAKEVIEW IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Village Council
Village of Lakeview

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lakeview for the year ended February 29, 2008, and have issued our report thereon dated May 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 17, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Lakeview are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Village of Lakeview as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Lakeview's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
May 1, 2008